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13 July 1959

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CENTRAL

INTELLIGENCE

BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

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13 July 1959

DAILY BRIEF

I. THE COMMUNIST BLOC

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USSR-Berlin: Soviet Deputy Foreign Minister Zorin told the West German ambassador in Moscow that the USSR would accept a compromise time limit of two years, during which the Allies could remain in West Berlin and an all-German committee would attempt to negotiate a permanent settlement. Zorin stated that the USSR would not challenge Western rights in West Berlin at the end of this period if agreement had not been reached by the Germans. He observed that a separate peace treaty with East Germany would be a very serious step and that Moscow would resort to this alternative only after all attempts to reach a negotiated settlement had failed. Zorin's remarks make more explicit the hints contained in Foreign Minister Gromyko's public statement of 28 June that the USSR would continue to respect Western rights in Berlin during an indefinite period of East-West negotiations following the expiration of the time limit on all-German talks.

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USSR-Ethiopia: According to a joint communiqué issued on 12 July at the conclusion of Emperor Haile Selassie's two-week visit to the USSR, Moscow has agreed to extend a long-term, low-interest loan of about \$100,000,000 for the development of Ethiopian industry and agriculture. A trade and economic agreement has also been reached, the communiqué said. Such trade has, to date, been negligible. The Emperor's acceptance of Soviet assistance is probably intended to demonstrate his independence from the United States and thereby to associate Ethiopia more closely with pan-Africanism.

Speaking at a reception for the Emperor on 11 July, Khrushchev said that he and President Voroshilov had accepted an invitation to visit Ethiopia at some future date.

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II. ASIA-AFRICA

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III. THE WEST

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Bolivia-Czechoslovakia:

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Czechoslovakia

and the USSR had made a joint offer of \$100,000,000 to the Bolivian Government, primarily for agricultural purposes and to be disbursed in goods rather than currency. This overture continues a series of reported bloc offers of economic aid to Bolivia, which is facing an acute economic crisis and was probably intended primarily for propaganda purposes.

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DAILY BRIEF

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***Honduras:** The attempted coup initiated early on 12 July by a retired officer with the backing of dissident police and military elements in the capital was poorly organized and failed to gain the support of leading military units. The ringleaders of the coup effort have surrendered and have been given political asylum in a neutral embassy. The attempt, however, further intensifies the long-standing frictions between the armed forces, which in Honduras are virtually independent of the chief executive, and a strong and violently antimilitary faction of the governing Liberal party. The significant support given the government during the 12 July fighting by groups of armed civilians may embolden the antimilitary element to push for a showdown with the military. If a military coup were to succeed, it would probably encounter widespread and sustained civilian resistance. [redacted]

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DAILY BRIEF

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I. THE COMMUNIST BLOC

USSR Seeks to Reassure West on Continuation of Allied Rights in Berlin

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[In a recent private conversation with the West German ambassador in Moscow, Deputy Foreign Minister Zorin made more explicit the hints contained in Gromyko's public statement on 28 June that Allied rights in West Berlin under an interim agreement would not be challenged at the end of a time limit on negotiations by the Soviet-proposed all-German committee. Zorin stated that the foreign ministers would again meet to review the West Berlin problem at the end of the time period and that Allied rights would be the same as they were at the beginning of the period. He also told the ambassador that the USSR would be prepared to accept a compromise time period of two years. According to press reports from London, Gromyko has also assured the British ambassador that Western rights would be maintained during a Big Four foreign ministers' review of the situation following the expiration of the time limit on all-German talks.]

[Zorin remarked to the West German ambassador that a separate peace treaty with East Germany would be a very serious step and that the USSR would resort to this alternative only after all attempts to reach a negotiated settlement had failed. He also indicated that Gromyko will attempt to reopen discussions in Geneva of the USSR's proposals on a peace treaty with both German states and European security measures.]

[These Soviet moves to reassure the Western powers that the USSR will continue to respect their rights in Berlin during an indefinite period of East-West negotiations following a failure of the all-German committee to reach agreement reflect the Soviet leaders' desire to obtain new arrangements on Berlin which, in their view, would supersede the postwar agreements on which existing Allied rights are based. Ambassador Thompson believes acceptance of the Soviet proposal would mean virtually the end to the occupation status. In his efforts to induce the West to agree to the creation of an all-German committee, Gromyko probably will offer to extend the time limit on its negotiations to two years or more. He may also make "concessions" on such issues as the level of Western "token" forces in West Berlin and on the inclusion of East Berlin in a city-wide prohibition on subversive activities and nuclear weapons and missiles.]

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III. THE WEST

Soviet Bloc Reportedly Offers Sizable Economic Aid to Bolivia

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Czechoslovakia and the USSR had made a joint offer of \$100,000,000 to the Bolivian Government, primarily for agricultural aid and in the form of goods rather than currency. This reported overture, which may be for propaganda purposes only, appears to continue the series of reported bloc offers of economic aid to Bolivia in recent months, such as the alleged Soviet offer in late 1958 of large-scale assistance to the Bolivian national oil company. The Czech Legation, the only resident bloc mission in La Paz, has been the medium for presenting Czech offers of technical aid and scholarship grants to Bolivia since 1958.

Bloc economic overtures would have considerable propaganda value to local leftist and Communist groups in their opposition to President Siles' shaky regime. The regime's ability to carry out the conditions of the US-backed stabilization program is threatened by widespread political and labor opposition. The government reportedly has decided to delay its planned unfreezing of all mine commissary prices--set for 15 July to meet its commitment to the International Monetary Fund (IMF). The miners still strongly oppose the unfreezing of prices.

According to the press, former President Paz, head of the ruling party who returned to Bolivia on 8 July, visited Czechoslovakia and other bloc countries in June. He was probably investigating reported bloc economic overtures and is likely to use any such offers in an attempt to extract concessions from the IMF or reduce Bolivia's dependence on US aid.

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Honduran Coup Attempt Further Intensifies Military-Civilian Frictions

The attempted coup initiated early on 12 July by retired Colonel Armando Velasquez against the moderate government of President Ramon Villeda Morales was suppressed after about 12 hours of fighting in the capital city. Velasquez apparently had the backing of some dissident military elements. Major military elements apparently remained loyal, however, and civilian groups were armed by the government for action against the rebels. By late in the day the rebel ringleaders had surrendered, with the condition they be granted asylum in the Costa Rican Embassy.

Velasquez, who returned recently to Honduras from exile after an abortive effort early this year to lead a revolution from neighboring Nicaragua, probably did not have Nicaraguan support in his latest effort. He apparently estimated that the long-standing and deep-seated frictions between the armed forces and the dominant faction of the governing Liberal party had reached such a peak that the military was on the point of revolt. The armed forces, under the constitution virtually independent of the chief executive, have been regarded with deep suspicion by the Liberals since they came to power in Honduras' first free election in 1957. The Liberals regard the military as the instrument of repression employed by past dictatorial governments, and the more extreme Liberals have even proposed that the army be abolished. Constant efforts to weaken the position of the military, despite generally ineffective efforts by the President to maintain a balance, have antagonized armed forces leaders. The prospect of almost certain widespread and sustained civilian resistance to any military coup, however, has restrained them.

Although most of the army apparently remained loyal during the 12 July coup attempt, the extreme antimilitary Liberal faction may now feel emboldened to force a showdown with the military. The large number of armed civilians in the capital late on 12 July suggests that further disturbances are likely.

A factor which may have brought the civilian-military feud to a head was the recent Honduran Army capture of two Cuban-supported rebel groups preparing to launch invasions of

Nicaragua. The army took this action in the face of wide-spread popular support in Honduras for the Nicaraguan rebels. Although he denies it, President Villeda is known to have offered at least his moral support to the Nicaraguan rebels.

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The Secretary of the Treasury

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The Under Secretary of State for Economic Affairs

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